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ABSTRACT

A pivotal part of Scotland's Childcare Strategy is the provision of out-of-school care (OSC). The Scottish Executive Education Department commissioned an assessment of the costs and benefits of OSC in Scotland. Despite methodological issues such as lack of longitudinal studies, the review of existing literature evidenced a range of economic benefits for different groups including parents and caregivers, children the community, and employers. Parents and caregivers were the groups most likely to experience economic benefits from OSC. A wide range of social benefits were also found, which extended to schools and service provision. The main benefits were seen to be experienced by children in terms of play and social interaction. The cost/benefit analysis of existing OSC provision found that a wide range of key variables such as location and type of provision affected analysis for precise costs; however, three models were devised to account for these variables: a Social Inclusion Partnership scheme in an urban deprived area; a parent-led voluntary group in a rural area; and a privately run club in an urban area. The study highlighted potential areas and issues for further consideration, including possible further research, investment in the local economy, and meeting policy targets of economic development, social justice, and social inclusion. (HTH)

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Insight 5

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Insight aims to present the essence of research projects in a format that will be useful and informative for practitioners, policy makers, parents, academics, and anyone else who has an interest in economic and social research in these areas.

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Assessment of Benefits and Costs of Out of School Care

Gillian Davidson and Anne Marie Barry (Blake Stevenson Ltd)

Introduction

In 1998, the Scottish Executive launched the Childcare Strategy which has at its core the aim of enhancing the provision of good quality, affordable and accessible childcare to help parents balance work and home life. A pivotal part of this Strategy is the provision of Out of School Care (OSC).

The Strategy recognises that childcare has both social and economic benefits by enabling parents to participate in work and training opportunities and by offering play, social and education opportunities for children. In addition, employers benefit from a wider potential pool of workers from which to recruit, a more skilled workforce and enhanced retention of staff.

The Scottish Pre-school and Daycare Census from January 2002 identified that there are approximately 1,140 OSC services in Scotland providing around 33,600 places for 45,700 children (many use OSC on a part time basis). These figures have increased since the Census was conducted as a result of the places created through the New Opportunities Fund. There has been significant expansion in OSC, from 500 clubs in 1988 to 1,140 in 2002.

The importance of OSC is recognised by the Scottish Executive, who have developed a framework for the development of OSC – *School's Out*, which was launched in February 2003 and is based on research including this study and another project exploring OSC management models (Blake Stevenson, *forthcoming*).

The Study's Aims

The Scottish Executive Education Department commissioned an assessment of the costs and benefits of OSC in Scotland. The study's aims included:

- the development of an assessment framework setting out the full range of potential social and economic benefits and outcomes of OSC;
- a critical review of UK and international research evidence on the benefits of OSC;
- a synthesis of available evidence concerning labour market impacts;
- an assessment of the cost of provision of OSC.

Study Methods

The methodology used to conduct the study involved the following:

Development of frameworks detailing the potential benefits and costs of OSC;

Literature reviews of existing research evidence from the UK and abroad;

An assessment of the costs associated with the provision of OSC;

A costs/benefits analysis.

The study highlighted key methodological issues associated with assessing the benefits and costs of OSC. These were:

- Limited data and evidence on the impacts of OSC;
- Methodological difficulties in drawing a distinction between the impact of OSC and the impact of a range of other factors such as family status, other types of childcare and the environment;
- Lack of longitudinal studies which are often considered the most useful methodological approach to assess impact, especially over the longer term.

How is OSC defined?

Definitions of OSC

The literature review showed that no one definition of OSC exists either in the UK or overseas. Within the UK, there is a general consensus that OSC provides a safe place for children to be cared for whilst their parents work or train. This definition however varies by age of child, type of provision and setting.

The Economic Benefits of OSC

The review of existing literature evidenced a range of economic benefits for different groups including parents and carers, children, the community and employers. Parents and carers were the group most likely to experience economic benefits. The economic benefits are as follows:

Parents and carers

- Access to employment, education and training
- Increased or stable earnings
- Decreased dependency on benefits
- Increase in working hours
- Movement from part-time to full-time working
- Increased ability to do a job and increased job satisfaction
- Fewer unplanned absences

Children

- Assumed economic benefits from parents' access to earnings

Communities

- Contributes to tackling poverty, disadvantage and regeneration
- Creation of a positive environment for children
- Employment creation and job opportunities in OSC

Employers

- Better staff retention rates and associated reduction in recruitment costs
- Investment in training and staff development programmes recouped
- Reduction in unplanned absences
- Wider pool of potential recruits for jobs
- Employment creation in OSC

What are the economic benefits of OSC?

The Social Benefits of OSC

The study illustrated a wide range of social benefits which extended to schools and service provision. The main benefits were seen to be experienced by children in terms of play and social interaction.

Children

- Improvements to their life and social skills. OSC provides a variety of activities including free-play, organised games, sports, arts and supervised homework to complement the educational focus of the school day. This helps to counter under-achievement which is especially valuable in deprived areas.
- Safe and secure environment
- Social interaction with children of different ages, ethnic backgrounds and with additional needs. This was considered particularly important for 'only' children and those from rural areas
- Increased confidence, self-esteem and motivation
- Broadening of experiences and skills
- Curriculum enrichment and learning environment
- Health benefits through healthy eating and physical activity
- Consultation opportunities with children

Parents and carers

- Support and advice from OSC service and other parents
- Respite and 'time off'
- Assists the physical and mental health of families through stress reduction
- Social interaction through participation in work, education or training

Communities

- Development of citizenship in children
- Alternative activities which counteract anti-social behaviour
- Social inclusion of families, especially from disadvantaged areas
- Linkages of families and schools to the community

Schools and service providers

What are the social benefits of OSC?

- Increased popularity of school and better relations with community
- Increased integration of services (i.e. study support, nursery provision, and engagement of professionals)
- Complements school learning environment

Employers

- Less stressed employees

Although there are a number of gaps in existing literature, it does provide some useful information about the range of factors that will impact on the costs of OSC.

There were a number of potential benefits for which substantial evidence could not be found and only assumed, for example, economic benefits to a child through increased parental earnings, better engagement of a child with the school, the benefits of integrating children with additional needs and especially wider and longer term benefits to employers and the community. Additionally, not all impacts were considered positive. For example, a career in OSC is most often associated with low pay and low status.

Do you know of any other benefits of OSC or of any negative impacts? How do you know?

Overall, the review did show that OSC brings about both economic and social benefits, particularly to the most disadvantaged areas and households.

The Costs of OSC: Measuring the Economic Impact

The study conducted an analysis of the economic costs and benefits of OSC provision and provided several examples of tools to calculate the costs/benefits of OSC. It is not possible, however, to offer precise monetary figures in all places as OSC provision is not homogeneous but varies in terms of costs/benefits across a wide range of key variables such as location and type of provision.

The impacts of these variables are some of the most important determinants of the sustainability of OSC and its ability to provide childcare which is affordable and accessible to all parents. The report provided three models as a possible basis on which to account for these variables. The three models were:

(1) A Social Inclusion Partnership (SIP) scheme in an urban deprived area;
(2) Parent-led voluntary group in a rural area;
(3) Privately run club in an urban area.

To calculate the precise costs would require primary research that was not part of the remit of this study.

The study highlighted the following key points with regards to the costs/benefits analysis of OSC:

OSC services are both direct and indirect economic contributors. They offer a direct contribution in the form of the creation of a small business, the creation of local employment and financial gains to the local economy as a whole. As a result, it can be argued that childcare services have a role to play in advancing economic development. This in turn highlights the importance of being able to measure the economic benefits and costs of OSC, to assess whether the claims made for the services can be justified.

- OSC are indirect contributors because of the service they provide to enable parents to take up paid work or training.
- Economic benefits of OSC can be evidenced for parents through access to paid work and training and decreased dependency on benefits, for the community through the development of employment opportunities, for employers through increased staff retention, and for the public purse through avoided costs and increased revenue from national insurance and income tax.
- There is a wider and important social inclusion and social justice policy benefit and impact where OSC services are employing and training unemployed individuals from economically disadvantaged areas as well as enabling parents from disadvantaged areas to take up employment or training.
- The actual detailed and specific costings of OSC are difficult to calculate due to the wide range of variables which will affect the cost of developing and sustaining OSC provision. Costs can be broken down into two main categories, capital and revenue, and typically include costs for purchase or upgrade of premises, costs of equipment, staff recruitment (all capital), rent, staff wages and training, utility charges, insurance and management systems (all revenue).

What are the main costs of providing OSC?

- These costs however are not consistent or static across OSC facilities or over time. The key variables which can impact on costs are as follows:
  - Location of premises
  - Model of provision
  - Management model
  - Hours of operation
  - Staff ratios
  - Type of premises
  - Space per child
  - Specific requirements, eg for children with additional needs
  - Local infrastructure and support
  - Policy context

What are the most important variables which affect the delivery of OSC in your experience?

- There are also costs for Government in terms of (a) the cost of maintaining a person on welfare benefits/foregone revenue, (b) cost of childcare tax credits (previously unemployed parents who have gained access to work), and (c) cost of Government investment in childcare.

- The argument for public investment is however underlined by the current failure of the private sector to provide sufficient OSC provision. Stand alone OSC provision is often not economically viable without some public funding. Such funding may be provided in the form of cash investment, investment in kind (such as the free provision of school premises) or in the form of free training provided by local Childcare Partnerships.

Although it is difficult to present detailed costings of providing OSC and even to provide evidence of the full range of benefits, the costs/benefits analysis points to value for money from investment in OSC and childcare due to the positive and often significant impacts on the economy, parents and families, communities including the most disadvantaged, employers and, of course, children.

Areas for Consideration

The study highlighted potential areas and issues for further consideration. These are:

Issue 1. Possible Further Research

Given the lack of evidence in many areas, the study highlighted the need to conduct further research if the precise benefits and costs of OSC are to be captured:

– Research which is evidence based and rigorous to demonstrate both the social and economic benefits of OSC provision.

– Research specifically identifying the costs/benefits of OSC as opposed to childcare in general.

– Research which takes into account other factors which may bring about benefits and which separates these out to focus solely on the benefits resulting from OSC.

– Future research would especially benefit from longitudinal studies as many benefits of OSC can only be measured in the longer term.

– Research with samples of parents accessing OSC provision to assess its likely impact on their work status.

– Future research should also take into account the differential impact of OSC on sections of the population, for example, differences in terms of socio-economic status, location and ethnicity.

Issue 2. Investment in the Local Economy

The cost/benefit analysis indicates that investment in childcare is a valuable tool for economic development in terms of job creation in the childcare sector as well as enabling parents, principally mothers, to return to paid work. The actual level of investment is relatively low but the returns are significant. These services represent considerable value for money, which indicates the benefits of further sustained investment in OSC. While OSC clubs are essentially small businesses and should be run along business lines, there is an argument for continued public investment to ensure the sustainability of services because the benefits outweigh the return on investment. However, as is outlined in the document *School's Out*, some services can become sustainable without the need for continued public investment.

What types of investment are needed to sustain OSC services?

The study indicates that it is important, if not essential, that investment in childcare is seen as a form of economic investment rather than being marginalised as a social issue. Without continued investment in this sector and in initiatives like the Working Families Tax Credit, women in particular will not be able to enter paid work or training and this may have a long term negative effect on economic growth.

Issue 3. Meeting Policy Targets

Investment in OSC enables Government to meet three sets of policy targets. These are:

- Economic Development;
- Social Justice;
- Social Inclusion.

The study showed that sustained investment in OSC will enable parents to return to the labour market and that childcare responsibilities present one of the greatest barriers to accessing the labour market. Return to work programmes without a childcare element may fail to encourage women especially into the workplace. Evidence has shown however that the provision of OSC has already encouraged women into training and employment.

For mothers to access paid work there needs to be consideration of their childcare needs. Traditional welfare to work programmes have not sufficiently incorporated these considerations and have tended to be based on a male model, that is to say a model of a potential employee without childcare responsibilities. The continuing promotion of the importance of OSC is a critical contribution to this process.

Further Reading

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If you have views on ***Insight*** or wish to find out more about SEED's research and economics programme, please contact the Research, Economic and Corporate Strategy Unit, Scottish Executive Education Department, Victoria Quay, Edinburgh EH6 6QQ.

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